



# Addressing LNG Short-term & Spot Trading Access for California

Prepared by Alea Trading, LLC

# Agenda

- ✿ A Summary of Alea Trading, LLC
- ✿ Our Perspective on LNG Trading in the Pacific Rim
- ✿ The idea of Open Port Access
- ✿ Advantages of Trading firms to California Consumers
- ✿ Addressing LNG security concerns
- ✿ A vision for California

# Alea Trading, LLC

- ✦ A future LNG Business model for Today.
  - Created in 2003 and preparing for the future.
- ✦ ALEA Trading's mission:
  - To be the preferred point of contact for US consumers of LNG ....
- ✦ ALEA Trading's business strategy:
  - To grow a market for LNG spot shipments in the United States based upon easing natural gas price fluctuations and increasing environmentally friendly alternatives ...

# Our Perspective: LNG Trading & the Pacific Rim

- ✱ Asia currently has an active market for spot trading.
- ✱ Most suppliers prefer long-term contracts, however, some suppliers will sell to the spot market.
- ✱ Global supplies can soon exceed demand thus shifting the balance of power to buyers.
- ✱ Most domestic natural gas consumers are not willing to sign 10 to 20 year purchase agreements for LNG.
- ✱ California consumers will no longer play on a domestic platform for natural gas but will now need the knowledge to play in a global competitive market.
- ✱ Knowledge of who has compatible supplies, what the trends are in shipping costs and what the demand is in Asia and even Europe will be critical.

# Open Port Access

- ✦ Primary concern for port investors is that they recoup their investment on infrastructure.
  - Once a project is recouped, spot trading is a welcome niche as a percentage of output.
- ✦ Port investors by nature seek the highest return on their investment.
  - Passing lower costs on to consumers may not align with corporate & shareholder objectives.
- ✦ Return on investment can be achieved without giving 100% capacity rights to primary investors in the early stages of operation.

# Open Port Access: Continued

- ✱ Open port access on the west coast can increase the already active spot market in the pacific rim.
- ✱ Spot cargos and short-term supply arrangements can limit extreme price spikes from occurring.
- ✱ Spot trading smoothes inequities of supply and demand and creates an efficient market for consumers.

# Advantages of Trading Firms to California Consumers

- ✱ Trading firms can pass savings on to consumers due to lower overhead costs.
- ✱ Trading firms are not tied to one/few supplier(s) and thus can search the globe for compatible supply and best price.
  - With multiple factors in the LNG supply chain it can be possible that supply from an African / Middle Eastern supplier prices better than a Pacific Rim supplier in certain times.



# Advantages: Continued

- ✦ Trading firms can aggregate smaller consumers to purchase LNG and pass along the cost savings.
- ✦ Trading firms can act as financial solutions to suppliers seeking to enter a fragmented U.S. market.
  - One stop for demand and payment.
- ✦ Trading firms have the knowledge and relationships saving time and money for consumers.



# Addressing Security Concerns

- ✱ If third party spot cargos are allowed, the maximum volume moving thru the port will not change.
- ✱ The Coast Guard has the authority and ability to accompany in coming vessels.
- ✱ Trading firms, like any other LNG firm, are subject to Federal licensing and “good standing”.
- ✱ *Interesting Note: Currently there are no American firms controlling U.S. LNG port capacities.*

# A Vision for California

- ☀ To be energy self-sufficient.
- ☀ To be an energy exporter to growing populous states of Arizona, Nevada and others.
- ☀ To lower costs for consumers and eliminate power shortages.
- ☀ To lowers costs of business and “Bring Businesses and Jobs Back to California”.



Any Questions?